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**SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES**

**STATEMENT FOR THE RECORD**

**OF**

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**U.S. DEPARTMENT OF THE INTERIOR**

**BEFORE THE**

**SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES**

**COMMITTEE ON RESOURCES**

**U.S. HOUSE OF REPRESENTATIVES**

**HEARING ON THE FISCAL YEAR 2003 BUDGET PROPOSAL**

**MARCH 14, 2002**

Madam Chairwoman and Distinguished Members of the Subcommittee, I am pleased to present to you the Fiscal Year (FY) 2003 budget request of the Office of Surface Mining Reclamation and Enforcement (OSM).

In August, OSM will mark the 25th Anniversary of its creation. OSM was established with the passage of the Surface Mining Control and Reclamation Act of 1977 (SMCRA). Since then, working closely with the States and Tribes, OSM has been responsible for assuring that coal mines are operated in a manner that protects citizens and the environment and to assure that the land is restored to beneficial use following mining. Additionally, we are responsible for reclaiming and restoring lands and water degraded by past mining operations.

In the last 25 years, OSM has provided nearly \$1 billion in grants to the States and Indian Tribes to assist in funding the regulation of active coal mines. Since 1979, OSM has provided about \$3 billion in grants to the States and Tribes to clean up mine sites abandoned before SMCRA's 1977 enactment.

In fact, more than 180,000 acres of abandoned coal mine sites have been reclaimed under OSM's Abandoned Mine Land Program.

Our record of consultation and cooperation with States, Tribes, local entities, industry and the public has been a key factor in achieving these results. In fact, we have been praised as "Feds Who Get It" by Governing Magazine. That same professional, cooperative approach must continue if, in the next few years, we hope to continue to match these past achievements.

The United States possesses one-fourth of the world's coal resources, with over 275 billion tons of recoverable reserves. Because of these vast domestic coal resources and the fact that over one-half of electricity generated in our country comes from coal-fired utilities, coal must be an integral part of our Nation's energy policy. In FY 2003, OSM will work to identify innovations it can implement that will help maintain environmental quality and protect public health and safety while enhancing domestic coal production.

### **Fiscal Year 2003 Budget Request**

To address some of the issues I have just outlined, I would like to present some highlights of our FY 2003 budget proposal. OSM's FY 2003 budget request totals \$283.6 million in current authority, \$70 million in permanent authority, and 637 FTE's. Included in this amount is \$4.2 million to reflect a government-wide legislative proposal to shift the full cost of the government's pension system and employee health benefits program for current employees to their employing agencies. Without this proposal, OSM's FY 2003 request is \$279.4 million, a decrease of \$27.1 million below the FY 2002 enacted level of \$306.5 million. In addition, we have a continuing obligation under the Coal Act of 1992 to make payments from interest earned on the Abandoned Mine Land (AML) Fund to the United Mine Workers of America Combined Benefit Fund (UMWACBF). These payments help defray the health care costs of retired coal miners and their dependents where the employing company or related entity for which they worked have gone bankrupt or are no longer in business. As of January 31, 2002, \$574 million had been transferred to the UMWA since FY 1996. I will discuss this transfer in more depth, but first let me describe the discretionary portion of our FY 2003 request.

Our FY 2003 budget is a fiscally responsible proposal that enables OSM to effectively and efficiently implement its mission goals.

OSM's net FY 2003 request includes \$105.4 million for the Regulation and Technology (R&T) appropriation and \$174 million for the AML appropriation. This request represents an increase of \$2.3 million for the R&T program and a decrease of \$29.4 million for the AML program, thus accounting for a total decrease of \$27.1 million from FY 2002.

The FY 2003 request for the Regulation and Technology appropriation will enable OSM to provide sufficient financial support for the 24 State regulatory programs. OSM is requesting a net \$1 million increase in State regulatory grants. This is comprised of a \$2 million increase for West Virginia offset by a \$1 million reduction to other States' grants. State regulatory funding was increased by over \$6 million during the period from FY 2000 to FY 2002, from \$50.6 million to \$56.6 million. OSM is also requesting \$1.3 million for uncontrollable cost increases.

In the Abandoned Mine Lands Program, the budget proposes a \$17 million reduction for State reclamation grants. Additionally, the budget proposes to transfer \$2 million in carryover for Federal emergencies to State reclamation grants, resulting in total grant funding of \$144.1 million. It eliminates a \$0.5 million grant to Pennsylvania for an acid mine drainage demonstration project. It provides a \$10.9 million one-time reduction in funding for the Federal emergency program; this reduction should have no programmatic impact since OSM has sufficient carryover funds to operate the Federal emergency program for FY 2003. The proposal also reduces funding for Federal high priority projects by \$1.3 million. The budget identifies savings of \$0.2 million in travel costs and \$0.1 million in general services efficiencies. It requests \$0.6 million for uncontrollable costs.

OSM is also continuing its funding support for the Appalachian Clean Streams Initiative at the FY 2002 level of \$10.0 million. This initiative supports local efforts to eliminate environmental, economic, and public health impacts of acid mine drainage from abandoned coal mines in Appalachia. OSM has partnered with over one hundred Government agencies and private groups to leverage our resources with other parties'

resources to assure increased reclamation of streams polluted by acid mine drainage.

Let me now address the other component to our budget -- the annual transfer payment to the UMWACBF.

The Coal Industry Retiree Health Benefit Act of 1992 (the "Coal Act") amended the Surface Mining Control and Reclamation Act (30 U.S.C. section 1232) to provide for annual transfers of interest from the Abandoned Mine Reclamation Fund to the Combined Benefit Fund (CBF) to defray health care costs for unassigned beneficiaries. The CBF provides health care and death benefits for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents.

The Coal Act holds coal operators and related companies responsible for paying monthly premiums for the costs of health benefits related to their retired mine workers and dependents (known as "assigned" beneficiaries). Under the Coal Act, the Social Security Administration (SSA) is responsible for computing the per beneficiary health premium and for assigning retired mine workers to their former employers or related companies. Those for whom a responsible company cannot be identified, are considered "orphans," or unassigned beneficiaries. For FY 2003, we estimate the amount of this mandatory transfer will be \$70 million.

### **Government Performance and Results Act**

OSM recognizes the importance that both the Administration and the Congress have placed on implementing the Government Performance and Results Act (GPRA). The FY 2003 budget request fully addresses GPRA requirements. OSM has established a Strategic Plan to carry out its mission, vision, and goals and to implement a budget that relates resource requests to strategic goals in a more understandable way. OSM also has developed a business-line based accounting system to determine the cost of each program activity, provide a mechanism for linking costs to performance outputs, and enhance OSM's management decision-making process.

OSM's Business Lines are:

- \* Environmental Restoration;
- \* Environmental Protection;
- \* Technology Development and Transfer;
- \* Financial Management; and
- \* Executive Direction and Administration.

### **Government-wide Management Reforms**

This budget proposal also supports the President's Government-wide management reform agenda of:

- \* Integrating Budget and Performance Measures
- \* Improving Strategic Management of Human Capital
- \* Increasing Competitive Sourcing
- \* Improving Financial Performance
- \* Expanding E-Government

OSM's budget proposals have integrated strategic goals and associated measures with its budget structure for the past several fiscal years and in 2002, OSM is implementing activity based costing. OSM has already developed a succession plan to help strategically manage its human resources. Consistent with Administration guidance, OSM updated its Commercial Activity Inventory in FY 2001 and has just completed another update for 2002. To address improved financial performance, OSM has made nearly one hundred percent of its financial transfers through electronic funds transfers. Because of OSM's expanded Electronic Government initiatives, such as electronic payment of reclamation fees and the new on-line Abandoned Mine Lands Survey, greater opportunities exist for citizens to access OSM provided information.

### **Proposed Appropriation Language**

OSM is also proposing an appropriation language change in its FY 2003 budget proposal. This change will allow OSM to:

- \* Remove the funding and twenty-five percent limitations on the amount of emergency program funding that can be spent in any one state; and
- \* Eliminate the earmarking of funds for the Pennsylvania demonstration project.

Madam Chairwoman, I consider myself fortunate to have been given the opportunity to lead the Office of Surface Mining as it completes its first quarter century and prepares itself for the demands of the future. OSM began as an enforcement agency enforcing SMCRA directly. As states adopted their own regulatory programs, OSM evolved into a partner with the states - enabling, advising and providing much-needed technical assistance. Today, state programs are maturing and OSM will be called upon to adapt to the new needs of the states, intensifying its efforts to protect the American people and their environment and creatively using the great potential of our natural resources. I am pleased to be part of the OSM team at this important juncture.

I thank the Subcommittee for providing this opportunity to present OSM's FY 2003 budget request.

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